

## CHAPTER 2 — BUDGET DEVELOPMENT

### ARTICLE 1 — BUDGET PLANNING

*Revised January 2001*

#### **21010.1 Budget Planning —Policy**

The Department shall submit an annual budget that is consistent with the policies set by the Governor, the Secretary of the Youth and Adult Correctional Agency (YACA), and the Director, Department of Finance (DOF).

#### **21010.2 Purpose of Budget Planning**

This section describes the Department's portion of the process for submittal of the Governor's Budget exclusive of Major and Minor Capital Outlay projects. For a description of the Major and Minor Capital Outlay processes, see the DOM 21040.

#### **21010.3 Budget Planning Responsibility**

The Office of Budget Management (OBM) provides coordination for the central support budget planning process.

#### **21010.4 Budget Planning Preparation Calendar**

Based on DOF's established schedule, the OBM issues a calendar of actions and deadlines required in the preparation of the Governor's Budget. This serves as a guideline for operating units of the Department to schedule workloads accordingly. Because requirements change annually and State revenues may not be available as anticipated, this calendar is subject to numerous changes.

#### **21010.5 Budget Process**

The Budget Act is the primary source for appropriations and provides for the usual and current expenses of the State. Departments are responsible to operate within budgeted levels and to comply with any restrictions or limitations enacted by the Legislature. The Legislature has provided provisions in the Budget Act to allow for budget adjustments. These provisions include authorizations for: intra-item transfers (Section 26.00), deficiencies (Section 27.00), changes to federal funding levels (Section 28.00), and changes to reimbursements (Section 28.50).

The basic concept of budget development uses incremental budgeting. This approach uses the current departmental level of funding as a base amount to be adjusted by change proposals. The Budget Change Proposal (BCP) is the traditional decision document to change the level of service or funding sources for activities authorized by the Governor and the Legislature, or to propose new program activities not currently authorized.

For specific information on Budget Letters, BCPs and the Budget Analyst Guide, please access the —DOF Web Site at <http://www.dof.ca.gov/FISA/fisa.htm>. A description of the budget process, can be accessed —at <http://www.dof.ca.gov/fisa/bag/process.htm>.

#### **21010.6 Requesting Budgetary Resources**

The following are standardized processes used to request budgetary resources:

##### **Policy Budget Change Proposal**

The BCP process is used to request the increase, decrease, or redirection of resources due to changes in existing programs, department-wide problems, policies, procedures, mandates, increase/decrease in workload, etc. The Office of Financial Management (OFM) issues instructions annually to set forth overall budgetary policies and the BCP process and timelines. The BCP process usually starts with the Budget Concept Statement (BCS), which is an internal departmental process. BCPs have to be clear, concise, direct, and supported with factual statements and workload data. ~~BCP's also have to address any impact on other State Agencies.~~ Approval of this request by the Governor and the Legislature will address changes in resources for the budget year. Current year resource changes will be addressed in either a deficiency request, changes to federal funding levels, or changes to reimbursements, as appropriate.

BCPs containing information technology (IT) components related to IT projects, generally must secure Department of Information Technology approval of the related Feasibility Study Report or Special Project Report prior to submission of the BCP to DOF. These BCPs are subject to the same DOF submittal deadlines. For more information refer to the Budget Letters in the above DOF Web Site.

For BCPs that are tied to a Capital Outlay project, program staff need to coordinate with the Capital Outlay staff to include information that is consistent with the Capital Outlay BCP.

If a requesting program's BCP affects other administrative or operational entities within the Department, the requesting program must contact the affected entity(s) for input on whether additional resources are needed to offset the workload. The requesting program shall coordinate the inclusion of any identified resources into the BCP. If a BCP affects another State Agency, program staff must contact the other agency to ensure that they concur and will not be in opposition of the BCP.

##### **Responsibility for BCPs**

Individuals who direct the preparation and submission of BCPs are as follows:

- Chief Financial Officer (CFO), OFM.
- All Deputy Directors.
- All Assistant Directors.

### **Population Budget Change Proposal**

A Population Budget Change Proposal (POP BCP) is processed every year, starting in the Fall (September), to address changes in resources as a result of projected population changes (inmates/parolees) in both the current and budget years.

#### **Population Projections Fall/Spring**

Utilizing the projections issued by the Estimates and Statistical Analysis Section (ESAS), of the Offender Information Services Branch (OISB), and the construction schedule issued by the Facilities and Business Management Division, the Program Support Unit (PSU) of the Institutions Division schedules the placement of inmates in what is known as the "Institution Activation Schedule." Based on this schedule, the ESAS issues the following projections in September/October of each fiscal year (July 1 to June 30):

- Preliminary estimates of prison and parole populations for the preparation of the budget which becomes effective July 1 of the following year.
- Revised population estimates for the current fiscal year.

In February/March of each fiscal year, these projections are revised by the ESAS and utilized in the May Revision of the Governor's Budget.

#### **Finance Letter**

This is an emergency Policy BCP request for unforeseeable issues that arise after the Governor has submitted the budget request to the Legislature. Finance Letters are usually submitted in February. Approval of this request by the DOF will revise the budget previously submitted to the Legislature in January.

#### **May Revise**

A BCP submitted to the DOF (April 1) and then to the Legislature (May 15) to request augmentation to the Governor's Budget for population (inmate/parolee) change in both current and budget years. This document is submitted in the Spring as a revision to the budget previously submitted to the Legislature in January.

#### **Deficiency Requests**

The deficiency request allows departments to add monies to their budget in the current year to address immediate program changes (i.e., population increases). The request is to be submitted as soon as the need is identified for unforeseen and significant costs over and above what is in the budget. The deficiency request is submitted to the YACA, DOF, Governor and the Legislature for approval.

The deficiency process is also used to recover those funds spent during an emergency, which cannot be absorbed by existing resources. The Director has defined an emergency as a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services. An emergency has to be an event of large magnitude and severe impact, such as, but not limited to earthquake, flood, tornadoes, major riots, severe and prolonged disruption of utilities, etc. Only in extreme emergencies are departments allowed to incur expenditures prior to securing the proper funding. However, such expenditures still need to be submitted to the YACA, DOF, Governor and the Legislature for approval. Therefore, managers need to immediately (within the next business day of the emergency) notify their chain of command and the OFM of the emergency, and, at the end of the emergency, submit to OFM an expenditure report of all costs incurred. Once the OFM validates that those costs meet the requirements of an emergency, it will immediately notify the Directorate, YACA and DOF of its intent to file for a deficiency (if the costs cannot be absorbed).

#### **Approval Process**

Any budgetary request will be forwarded to YACA for approval prior to final submittal to DOF in compliance with State Administrative Manual (SAM) Section 6120.

### **21010.7 Budget Change Proposal Adjustments**

Adjustments are often required between the final submission of BCPs and the final preparation of the Governor's Budget. The OFM shall notify departmental administrators of such changes and recommend proper action.

#### **21010.8 Budget Allotments**

By August 1 of each fiscal year, an initial allotment is issued for each facility, office, and division, provided timely passage of the Budget Act. As the fiscal year progresses and changes are made to the budget, corresponding changes are made to the allotments through budget change notices.

#### **21010.9 Fiscal Reviews**

Fiscal reviews are an important process for ensuring that the Department remains fiscally sound. The areas involved with the fiscal review process are:

##### **Programs**

Each facility, office, division, and parole region will complete a Monthly Budget Plan (MBP) document using the standardized methodologies listed in the MBP instructions. For those line items with no standardized projection methodology, a detailed explanation is to be provided. The MBP will be submitted to the OBM on the first working day of every month starting with September 1 of each fiscal year. Instructions for completing the MBP can be requested from the OBM. Programs have to continuously monitor their fiscal situation and quickly raise financial problems to the OFM/OBM as soon as they become known. During the month of February, fiscal reviews are held at headquarters to validate the projected expenditures by facility, office,

division, and parole region. At the fiscal reviews, Wardens, Health Care Managers, Assistant Directors, Deputy Directors, Parole Administrators, and Departmental Managers are expected to:

1. Identify the reasons for a potential budgetary surplus/deficit (over-expenditure or lack of funding).
2. Identify measures to be taken to offset a potential deficit (if any).
3. Provide detailed information (by Agency Object Code) for Temporary Help and Overtime expenditures.
4. Provide a clear and accurate reflection of their operation's fiscal state.

#### **Office of Financial Management/Office of Budget Management**

The OFM is responsible for overseeing the fiscal review process and making recommendations to Executive Staff. The OBM, which reports to the OFM, is responsible for reviewing and analyzing the MBP and providing feedback to all facilities, offices, divisions, and parole regions. The OBM Budget Analyst is responsible for reviewing and analyzing the MBP for both Program 21-Institutions and Program 22-Health Care Services for the same institution. The OBM roles and responsibilities for Program 22 are defined in a Memorandum of Understanding between the Health Care Services Division and the OFM. The OBM will provide training to the OBM Budget Analysts and the institutions' managers and Budget Analysts about how to make fiscal projections and understand cost data. This training module will also include an indepth discussion on the fiscal and operational challenges of managing a prison. The OBM provides a monthly expenditure roll up of each program to the Deputy Directors/Assistant Directors and a MBP roll up of all departmental programs to the Directorate.

#### **Executive Office**

The Chief Deputy Director, Support Services, and the Chief Deputy Director, Field Operations (or their designee) will Chair fiscal reviews and make final decisions on the approval/disapproval of expenditure projections. The committee shall consist of:

- Chief Deputy Director, Support Services
- Chief Deputy Director, Field Operations
- ~~Chief Financial Officer~~ **CFO**, OFM
- Chief, OBM
- Respective Deputy Directors/Assistant Directors or designee.

#### **21010.10 Fiscal Responsibility**

Wardens, Health Care Managers, Assistant Directors, Deputy Directors, and Parole Administrators have the primary responsibility to operate within budgeted levels. Section 32.00 of the Budget Act (**BA**), Board of Control (**BOC**) Rule 614 and Government Code (**GC**) Section 13324 provides that State officers are expressly forbidden from making any expenditure which is not authorized without approval from DOF. Any officer or employee who ~~over~~-expends an appropriation **in excess of budgetary authority or on expenses not authorized** without DOF's approval ~~is~~ **may be held** personally liable for the amount of such unlawful indebtedness, ~~unless due diligence is demonstrated~~. Departments must inform DOF promptly, as they become aware of a deficiency situation. Therefore, in order to operate within budgeted levels, managers need to adhere to the following guidelines:

1. Notify the OFM as soon as possible of new policy, procedures or changes in policy and procedures that may have a fiscal impact. Fiscal impact is defined as an increase in cost **which is not funded and cannot be absorbed within existing resources in the current or subsequent fiscal year(s)**. If a program is operating a deficit mode then there shall be no changes that will increase costs. Follow the established process to acquire additional funding.
2. Immediately notify the appropriate chain of command and the OFM of an emergency that may require expenditures to be incurred prior to securing the Directorate' approval and the appropriate funding.
3. Immediately notify the appropriate chain of command, Legal Affairs Division, and the OFM when the Department is compelled by court order or other legal process to make non-budgeted expenditures. The OFM shall contact the YACA and DOF to begin the process of securing the necessary funding.
4. Hold in abeyance the implementation of new or adjusted policies and procedures until the Directorate's approval and proper funding is secured.
5. Agreements with local unions must stay within the parameter of the contract and authorized resources, and must not have a statewide impact.
6. Follow the established budget process to request additional resources (Policy and Population BCPs, Finance Letters, May Revise, Deficiency Requests).
7. Minimize overtime expenditures.
8. Establish overtime avoidance pools (OTAP) and sick leave relief pools, see the DOM Chapter 3, Article 8 for further details.
9. Eliminate unauthorized positions.
10. Position upgrades (reclassifying a position to a classification with a higher salary) must be accomplished within existing resources. ~~Therefore, position upgrades must be accompanied with a corresponding Form 607 to downgrade a position of equal or greater value.~~
11. Achieve 100% of the savings identified in the Institutions Vacancy Plan.
12. Control sick leave usage, in conformance with DOM Chapter 3, Article 8.
13. Maximize the use of Permanent Full Time and Intermittent Officers.
14. Eliminate programs for which no funding is available.
15. Eliminate the liability for accumulated holiday leave and excess vacation and annual leave balances by utilizing the budgetary authorized holiday/vacation relief factor.
16. Closely monitor the MBP.
17. Reduce or postpone non-critical expenditures as long as a budget deficit is projected.
18. It is the responsibility of the Warden, Health Care Manager, Assistant Director, Deputy Director, or Parole Administrator to ensure that the OBM is notified immediately via the MBP cover memorandum when a projected

budget deficit is anticipated. Also, it is their responsibility to submit an action plan addressing every action available to eliminate such projected deficit.

19. Prior to awarding medical contracts, for preferred provider hospitals, program staff will prepare a cost benefit analysis of prospective contractors who can provide the necessary level of patient care including; the cost of the medical component and the custody component. Custody and medical costs need to be taken into consideration and the contractor who can provide the required levels of care at the lowest cost to the State of California will be selected as the preferred provider.

#### **21010.11 Policy Decisions and Fiscal Impact**

The Director and Chief Deputy Directors approve all departmental policy changes, see the DOM 11010.8 for further details. The program division Deputy Director/Assistant Director shall prepare a request to change policy identifying the scope of the recommended policy change and any fiscal impact. The Deputy Director/Assistant Director shall route the recommended policy change package to the OFM who shall analyze the projected fiscal impact and ensure the proposal has been costed accurately and the program has identified the funding source (and availability of funds) for the recommended change.

The CFO shall include in the analysis a recommendation to approve or disapprove the recommended policy change. No policy decisions shall be recommended for implementation without the funding being identified, secured and, if necessary, approved by the YACA and DOF. Additionally, managers will return any Headquarters policy memo that is driving a fiscal impact without identifying the necessary funding and the Directorate's approval. Managers will return a copy of the memo to the author, notifying the author of the fiscal impact with a copy to the OFM. The author is responsible for rescinding the policy directive until such time the funding source has been identified, and the implementation has been approved.

#### **Non-Urgent Requests**

Non-urgent requests are to be submitted to the Directorate, YACA and DOF through the normal budgetary process described in Sections 21010.5 and 21010.6. The OFM will work with the program staff to identify which of the processes described in these Sections is to be used to request funding prior to implementation of the change.

#### **Urgent Requests**

For urgent requests, the following steps will be taken as expeditiously as possible:

1. Program makes request to their Headquarters chain of command, with a copy to the OFM, using the BCS format.
2. Deputy Director/Assistant Director submits request to OFM for analysis of fiscal impact.
3. The OFM reviews and submits to the Directorate with recommendation to approve or disapprove.
4. The Directorate approves or disapproves and returns to OFM.
5. If disapproved, the OFM returns to the originator, closing the request.
6. If approved, the OFM immediately notifies the YACA and DOF to secure approval prior to implementation of a policy change.
7. The OFM will work with the DOF on the best approach to acquire additional resources within the budgetary cycle.

#### **21010.12 Inmate Welfare Fund**

The Inmate Welfare Fund (IWF) is shown as a separate item in the Budget Act and is subject to the same schedule as the Department's.

Information about the IWF is contained in DOM 23010.

#### **21010.13 Revisions**

The CFO, OFM, or designee shall be responsible for ensuring that the contents of this section are kept current and accurate.

#### **21010.14 References**

SAM § 6120

BA § 32

BOC Rule § 614

GC § 13324

DOM §§ 11010.8, 21040, 23010 and Chapter 3, Article 8.

### **ARTICLE 2 — OPERATING EXPENSES AND EQUIPMENT**

*Revised January 2001*

#### **21020.1 Policy**

The Department shall allocate all available funds required for departmental operating expenses.

#### **21020.2 Purpose**

This section describes the allocation process for Operating Expenses and Equipment.

#### **21020.3 Allocation of Funds**

By August 1, the OBM shall issue a program/line item budget allocation to each facility office, and division, provided timely passage of the Budget Act. This shall normally be an allocation of the total funds available for operating expenses. If additional funds become available during the fiscal year, subsequent allocations of these funds shall be made at the earliest possible opportunity.

Subsequent changes to original allocations shall be transmitted by numbered budget change documents during the fiscal year. In some instances informational letters about the changes shall precede the budget change document but shall not be used to enter the change into the official accounting records. This shall be done only after the budget change document is issued.

#### **21020.4 Schedule 9, Equipment**

The Schedule 9 process is for replacing existing equipment only. Equipment for new positions or new programs shall be requested via the BCP process. Equipment reported in the Schedule 9 has a unit acquisition of \$5,000 (e.g., four identical assets at \$3,000 each, for a \$12,000 total would not meet the requirement). For more information, refer to SAM Section 8602.

The OBM sends specific instructions annually (around end of August) on how to complete the Schedule 9 process. Insitutions, P&CSD, and each Headquarters' division/office need to complete the Schedule 9.

#### **21020.5 Written Justification for Requested Equipment**

Except for those complements related to new positions, a CDC Form 533, Equipment Budget Request, detailing the description of the equipment, its' function and the need for it, shall be attached to the Schedule 9.

#### **21020.6 Equipment for New Positions**

Equipment needs related to new positions shall be included in the BCP for the position and submitted to OBM for computation of cost of standard office equipment complement. If equipment and furnishing are required beyond the standard office complement, it must be identified by description and cost in the BCP.

##### **21020.6.1 Standard Equipment Complements**

When requesting standard equipment complements, the basic equipment complement guidelines, which are utilized in new prison construction, should be referred to for guidance. For the purpose of BCP, OBM calculates a standard office furnishing complement. This complement, based on classification, may include a chair, table, desk, bookcase, and personal computer or calculator, where applicable.

##### **21020.6.2 Special Equipment**

Request for special equipment (major equipment that can not be acquired through the Schedule 9 process) shall be identified in a BCP by description and estimated cost. BCPs shall be submitted to OBM for either inclusion in the Governor's Budget or submission through the Finance Letter process. The Finance Letter process is only used for proposals of critical nature and is not to be used as an extension of the Fall BCP process.

#### **21020.7 Inmate Pay**

See the DOM 51120 for instructions relating to inmate pay.

#### **21020.8 Minor Capital Outlay**

See DOM 21030 for instructions relating to ~~m~~Minor ~~e~~Capital ~~o~~utlay.

#### **21020.9 Revisions**

The CFO, OFM, or designee shall ensure that the contents of this section are accurate and current.

#### **21020.10 References**

SAM § 8602

DOM §§ 21030 and 51120